

TOWNSHIP OF BOWNE  
Kent County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Bowne	County Kent
Fiscal Year End March 31, 2008	Opinion Date April 18, 2008	Date Audit Report Submitted to State April 23, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF BOWNE  
Kent County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 18, 2008

To the Township Board  
Township of Bowne  
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Bowne, Kent County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bowne's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Bowne, Kent County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BOWNE  
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Bowne covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$4,151,154.77 for governmental activities and \$786,330.51 for business-type activities. Overall total capital assets increased due to the purchase of a fire truck.

Overall revenues were \$1,083,820.15 from governmental activities and \$190,135.66 from business-type activities. Governmental activities had a \$440,709.99 increase in net assets. Business-type activities had an increase in net assets of \$69,091.31.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Fund, Downtown Development Fund, Capital Improvement Fund, Sewer Fund, Agency Fund and the Current Tax Collection Fund.

TOWNSHIP OF BOWNE  
Kent County, Michigan

**CONDENSED FINANCIAL INFORMATION**  
**March 31, 2008**

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	1 994 115	2 375 953	242 029	335 129	2 236 144	2 711 082
Capital Assets	1 726 330	1 785 202	1 035 210	996 202	2 761 540	2 781 404
<b>Total Assets</b>	<b>3 720 445</b>	<b>4 161 155</b>	<b>1 277 239</b>	<b>1 331 331</b>	<b>4 997 684</b>	<b>5 492 486</b>
Current Liabilities	10 000	10 000	-	-	10 000	10 000
Non-current Liabilities	-	-	560 000	545 000	560 000	545 000
<b>Total Liabilities</b>	<b>10 000</b>	<b>10 000</b>	<b>560 000</b>	<b>545 000</b>	<b>570 000</b>	<b>555 000</b>
<b>Net Assets:</b>						
Invested in Capital Assets	1 726 330	1 785 202	475 210	451 202	2 201 540	2 236 404
Unrestricted	1 984 115	2 365 953	242 029	335 129	2 226 144	2 701 082
<b>Total Net Assets</b>	<b>3 710 445</b>	<b>4 151 155</b>	<b>717 239</b>	<b>786 331</b>	<b>4 427 684</b>	<b>4 937 486</b>
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for services	146 758	482 976	137 637	190 136	284 395	673 112
General Revenues:						
Property Taxes	327 621	342 555	-	-	327 621	342 555
State Revenue Sharing	187 157	193 293	-	-	187 157	193 293
Interest	58 123	60 535	11 848	11 107	69 971	71 642
Miscellaneous	47 478	4 461	-	-	47 478	4 461
<b>Total Revenues</b>	<b>767 137</b>	<b>1 083 820</b>	<b>149 485</b>	<b>201 243</b>	<b>916 622</b>	<b>1 285 063</b>
Program Expenses:						
General Government and Administration	270 538	260 713	-	-	270 538	260 713
Public Safety	200 193	217 668	-	-	200 193	217 668
Public Works	70 463	155 257	275 003	132 151	345 466	287 408
Recreation and Culture	8 104	9 472	-	-	8 104	9 472
<b>Total Expenses</b>	<b>549 298</b>	<b>643 110</b>	<b>275 003</b>	<b>132 151</b>	<b>824 301</b>	<b>775 261</b>
Increase (Decrease) in Net Assets	217 839	440 710	(125 518)	69 092	92 321	509 802
<b>Net Assets, April 1</b>	<b>3 492 606</b>	<b>3 710 445</b>	<b>842 757</b>	<b>717 239</b>	<b>4 335 363</b>	<b>4 427 684</b>
<b>Net Assets, March 31</b>	<b>3 710 445</b>	<b>4 151 155</b>	<b>717 239</b>	<b>786 331</b>	<b>4 427 684</b>	<b>4 937 486</b>

TOWNSHIP OF BOWNE  
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Downtown Development Fund and the Capital Improvement Fund.

Business-Type Funds: The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

Our external debt has 22 years left for the upgrade expansion of the sewer system.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$415,555.71. The Sewer Fund incurred \$39,008.41 in depreciation expense and \$66,888.75 in other operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$130,021.00 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$15,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-868-6846 or at the Bowne Township Office, 8240 Alden Nash SE., P.O. Box 35, Alto, Michigan 49302-0035.

TOWNSHIP OF BOWNE  
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	2 355 247 56	335 128 76	2 690 376 32
Taxes receivable	<u>20 704 95</u>	<u>-</u>	<u>20 704 95</u>
Total Current Assets	<u>2 375 952 51</u>	<u>335 128 76</u>	<u>2 711 081 27</u>
<b>NON-CURRENT ASSETS:</b>			
Capital Assets	2 364 487 00	1 170 252 21	3 534 739 21
Less: Accumulated Depreciation	<u>(579 284 74)</u>	<u>(174 050 46)</u>	<u>(753 335 20)</u>
Total Non-current Assets	<u>1 785 202 26</u>	<u>996 201 75</u>	<u>2 781 404 01</u>
<b>TOTAL ASSETS</b>	<u><u>4 161 154 77</u></u>	<u><u>1 331 330 51</u></u>	<u><u>5 492 485 28</u></u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	<u>10 000 00</u>	<u>-</u>	<u>10 000 00</u>
Total Current Liabilities	<u>10 000 00</u>	<u>-</u>	<u>10 000 00</u>
<b>NON-CURRENT LIABILITIES:</b>			
Bonds payable	<u>-</u>	<u>545 000 00</u>	<u>545 000 00</u>
Total Non-current Liabilities	<u>-</u>	<u>545 000 00</u>	<u>545 000 00</u>
<b>Total Liabilities</b>	<u>10 000 00</u>	<u>545 000 00</u>	<u>555 000 00</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt	1 785 202 26	451 201 75	2 236 404 01
Unrestricted	<u>2 365 952 51</u>	<u>335 128 76</u>	<u>2 701 081 27</u>
<b>Total Net Assets</b>	<u>4 151 154 77</u>	<u>786 330 51</u>	<u>4 937 485 28</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>4 161 154 77</u></u>	<u><u>1 331 330 51</u></u>	<u><u>5 492 485 28</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BOWNE  
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	5 792 81	-	(5 792 81)
General government	254 920 39	35 403 55	(219 516 84)
Public safety	217 668 24	92 100 48	(125 567 76)
Public works	155 256 72	355 472 00	200 215 28
Recreation and culture	9 472 00	-	(9 472 00)
<b>Total Governmental Activities</b>	<u>643 110 16</u>	<u>482 976 03</u>	<u>(160 134 13)</u>
Business-Type Activities:			
Sewer	132 150 92	190 135 66	-
<b>Total Business-Type Activities</b>	<u>132 150 92</u>	<u>190 135 66</u>	<u>-</u>
<b>Total Government</b>	<u>775 261 08</u>	<u>673 111 69</u>	<u>(160 134 13)</u>
General Revenues:			
Property taxes			342 554 58
State revenue sharing			193 292 56
Interest			60 535 85
Miscellaneous			4 461 13
<b>Total General Revenues</b>			<u>600 844 12</u>
Change in net assets			440 709 99
Net assets, beginning of year			<u>3 710 444 78</u>
Net Assets, End of Year			<u>4 151 154 77</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(5 792 81)
-	(219 516 84)
-	(125 567 76)
-	200 215 28
-	(9 472 00)
-	(160 134 13)
<u>57 984 74</u>	<u>57 984 74</u>
<u>57 984 74</u>	<u>57 984 74</u>
<u>57 984 74</u>	<u>(102 149 39)</u>
-	342 554 58
-	193 292 56
11 106 57	71 642 42
-	4 461 13
<u>11 106 57</u>	<u>611 950 69</u>
69 091 31	509 801 30
<u>717 239 20</u>	<u>4 427 683 98</u>
<u>786 330 51</u>	<u>4 937 485 28</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2008

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds (Fire Building)</u>
<u>Assets</u>				
Cash in bank	1 209 653 97	628 190 92	424 183 08	88 216 18
Taxes receivable	8 361 06	12 343 89	-	-
Due from other funds	<u>5 003 41</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1 223 018 44</u>	<u>640 534 81</u>	<u>424 183 08</u>	<u>88 216 18</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	10 000 00	-	-	-
Total liabilities	<u>10 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	1 213 018 44	640 534 81	424 183 08	88 216 18
Total fund equity	<u>1 213 018 44</u>	<u>640 534 81</u>	<u>424 183 08</u>	<u>88 216 18</u>
Total Liabilities and Fund Equity	<u>1 223 018 44</u>	<u>640 534 81</u>	<u>424 183 08</u>	<u>88 216 18</u>

The accompanying notes are an integral part of these financial statements.

Total

2 350 244 15

20 704 95

5 003 41

2 375 952 51

10 000 00

10 000 00

2 365 952 51

2 365 952 51

2 375 952 51

TOWNSHIP OF BOWNE  
Kent County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	2 365 952 51
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 364 487 00
Accumulated depreciation	<u>(579 284 74)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>4 151 154 77</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds (Fire Building)</u>
Revenues:				
Property taxes	94 060 88	180 522 79	67 970 91	-
Licenses and permits	27 804 68	-	-	-
State revenue sharing	193 292 56	-	-	-
Charges for services:				
Fire runs	-	43 591 16	-	-
Tax collection	35 403 55	-	-	-
Other	370 704 64	-	-	-
Interest	37 890 23	14 376 67	5 846 95	2 422 00
Rent	-	-	5 472 00	-
Miscellaneous	<u>1 261 45</u>	<u>3 199 68</u>	<u>-</u>	<u>-</u>
Total revenues	<u>760 417 99</u>	<u>241 690 30</u>	<u>79 289 86</u>	<u>2 422 00</u>
Expenditures:				
Legislative:				
Township Board	5 792 81	-	-	-
General government:				
Supervisor	19 966 43	-	-	-
Elections	3 846 43	-	-	-
Assessor	21 500 00	-	-	-
Professional services	43 646 36	-	-	-
Clerk	26 525 48	-	-	-
Board of Review	900 00	-	-	-
Treasurer	24 361 32	-	-	-
Building and grounds	54 871 75	-	-	-
Cemetery	18 352 59	-	-	-
Unallocated	33 050 03	-	-	-
Public safety:				
Fire protection	-	134 796 01	-	-
Protective inspection	24 643 64	-	-	-
Planning Commission	1 045 00	-	-	-
Public works:				
Highways and streets	129 056 44	-	-	-
Street lighting	2 525 43	-	-	-
Downtown development	-	-	21 609 85	-
Culture and recreation:				
Library	5 472 00	-	-	-
Capital outlay	<u>-</u>	<u>130 021 00</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>415 555 71</u>	<u>264 817 01</u>	<u>21 609 85</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	344 862 28	(23 126 71)	57 680 01	2 422 00
Fund balances, April 1	<u>868 156 16</u>	<u>663 661 52</u>	<u>366 503 07</u>	<u>85 794 18</u>
Fund Balances, March 31	<u><u>1 213 018 44</u></u>	<u><u>640 534 81</u></u>	<u><u>424 183 08</u></u>	<u><u>88 216 18</u></u>

The accompanying notes are an integral part of these financial statements.

Total

342 554 58  
27 804 68  
193 292 56

43 591 16  
35 403 55  
370 704 64  
60 535 85  
5 472 00  
4 461 13

1 083 820 15

5 792 81

19 966 43  
3 846 43  
21 500 00  
43 646 36  
26 525 48  
900 00  
24 361 32  
54 871 75  
18 352 59  
33 050 03

134 796 01  
24 643 64  
1 045 00

129 056 44  
2 525 43  
21 609 85

5 472 00  
130 021 00

701 982 57

381 837 58

1 984 114 93

2 365 952 51

TOWNSHIP OF BOWNE  
Kent County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 381 837 58

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(71 148 59)
Capital Outlay	<u>130 021 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 440 709 99

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
March 31, 2008

	<u>Total (Sewer)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>335 128 76</u>
Total Current Assets	<u>335 128 76</u>
NON-CURRENT ASSETS:	
Capital Assets	1 170 252 21
Less: Accumulated Depreciation	<u>(174 050 46)</u>
Total Non-current Assets	<u>996 201 75</u>
TOTAL ASSETS	<u><u>1 331 330 51</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
NON-CURRENT LIABILITIES:	
Bonds payable	<u>545 000 00</u>
Total Liabilities	<u>545 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	451 201 75
Unrestricted	<u>335 128 76</u>
Total Net Assets	<u>786 330 51</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 331 330 51</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS-TYPE FUNDS  
Year ended March 31, 2008

	<u>Total (Sewer)</u>
OPERATING REVENUES:	
Charges for services	<u>190 135 66</u>
Total Operating Revenues	<u>190 135 66</u>
OPERATING EXPENSES:	
Contracted services	46 306 86
Utilities	18 631 89
Miscellaneous	<u>1 950 00</u>
Total Operating Expenses	<u>66 888 75</u>
Operating Income (loss) before depreciation	123 246 91
Less: depreciation	<u>(39 008 41)</u>
Operating income (loss)	<u>84 238 50</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	11 106 57
Interest expense	<u>(26 253 76)</u>
Total Non-operating Expenses	<u>(15 147 19)</u>
Change in net assets	69 091 31
Net assets, beginning of year	<u>717 239 20</u>
Net Assets, End of Year	<u><u>786 330 51</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended March 31, 2008

	<u>Total (Sewer)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	190 135 66
Cash payments to suppliers for goods and services	<u>(66 888 75)</u>
Net cash provided (used) by operating activities	<u>123 246 91</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	(15 000 00)
Interest paid on bonds	<u>(26 253 76)</u>
Net cash provided (used) by capital and related financing activities	<u>(41 253 76)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>11 106 57</u>
Net cash provided (used) by investing activities	<u>11 106 57</u>
Net increase (decrease) in cash	93 099 72
Cash beginning of year	<u>242 029 04</u>
Cash End of Year	<u><u>335 128 76</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	84 238 50
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>39 008 41</u>
Net Cash Provided (Used) in Operating Activities	<u><u>123 246 91</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Bowne, Kent County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bowne. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Improvement Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14. The 2007 tax roll millage rate was 2.58 mills, and the taxable value was \$120,900,107.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>2 690 376 32</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	356 627 76
Uninsured and Uncollateralized	<u>2 367 014 30</u>
Total Deposits	<u>2 723 642 06</u>

The Township of Bowne did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.



TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	133 071 80	-	-	133 071 80
Buildings	1 052 573 80	-	-	1 052 573 80
Equipment	1 048 820 40	130 021 00	-	1 178 841 40
Total	2 234 466 00	130 021 00	-	2 364 487 00
Accumulated Depreciation	(508 136 15)	(71 148 59)	-	(579 284 74)
Net Governmental Capital Assets	<u>1 726 329 85</u>	<u>(58 872 41)</u>	<u>-</u>	<u>1 785 202 26</u>
<u>Business-Type Activities:</u>				
Sewer Systems	1 170 252 21	-	-	1 170 252 21
Accumulated Depreciation	(135 042 05)	(39 008 41)	-	(174 050 46)
Net Business-Type Capital Assets	<u>1 035 210 16</u>	<u>(39 008 41)</u>	<u>-</u>	<u>996 201 75</u>

**Note 5 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 6 – Pension Plan**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$14,780.65.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 7 – Bonds Payable**

On July 1, 2002, the Township issued a \$600,000.00 in bonds to finance a sewer system upgrade. As of March 31, 2008, the principal balance outstanding was \$545,000.00 and it is recorded in the Sewer Fund.

<u>Due April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11-1-08	15 000 00	3.375
11-1-09	15 000 00	3.600
11-1-10	15 000 00	4.000
11-1-11	15 000 00	4.000
11-1-12	15 000 00	4.000
11-1-13	15 000 00	4.125
11-1-14	15 000 00	4.300
11-1-15	20 000 00	4.500
11-1-16	20 000 00	4.500
11-1-17	20 000 00	4.625
11-1-18	20 000 00	4.750
11-1-19	20 000 00	5.000
11-1-20	20 000 00	5.000
11-1-21	25 000 00	5.000
11-1-22	25 000 00	5.000
11-1-23	25 000 00	5.000
11-1-24	35 000 00	5.000
11-1-25	35 000 00	5.000
11-1-26	40 000 00	5.000
11-1-27	40 000 00	5.000
11-1-28	45 000 00	5.000
11-1-29	<u>50 000 00</u>	5.000
<b>Total</b>	<u><u>545 000 00</u></u>	

**Note 8 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
Sewer Bonds	<u>560 000 00</u>	<u>-</u>	<u>15 000 00</u>	<u>545 000 00</u>

**Note 9 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 10 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$25,232.00 and building permit expenses of \$24,643.64.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>5 003 41</u>	Current Tax Collection	<u>5 003 41</u>
Total	<u>5 003 41</u>	Total	<u>5 003 41</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	90 000 00	90 000 00	94 060 88	4 060 88
Licenses and permits	30 000 00	30 000 00	27 804 68	(2 195 32)
State revenue sharing	185 000 00	185 000 00	193 292 56	8 292 56
Charges for services:				
Tax collection	35 000 00	35 000 00	35 403 55	403 55
Other	30 000 00	30 000 00	370 704 64	340 704 64
Interest	15 000 00	15 000 00	37 890 23	22 890 23
Miscellaneous	15 000 00	15 000 00	1 261 45	(13 738 55)
<b>Total revenues</b>	<b>400 000 00</b>	<b>400 000 00</b>	<b>760 417 99</b>	<b>360 417 99</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	20 000 00	20 000 00	5 792 81	(14 207 19)
General government:				
Supervisor	19 966 93	19 966 93	19 966 43	(50)
Elections	12 500 00	12 500 00	3 846 43	(8 653 57)
Assessor	21 500 00	21 500 00	21 500 00	-
Professional services	116 000 00	116 000 00	43 646 36	(72 353 64)
Clerk	26 525 48	26 525 48	26 525 48	-
Board of Review	1 000 00	1 000 00	900 00	(100 00)
Treasurer	24 361 32	24 361 32	24 361 32	-
Building and grounds	75 000 00	75 000 00	54 871 75	(20 128 25)
Cemetery	20 000 00	20 000 00	18 352 59	(1 647 41)
Unallocated	48 000 00	48 000 00	33 050 03	(14 949 97)
Public safety:				
Protective inspection	30 000 00	30 000 00	24 643 64	(5 356 36)
Planning Commission	3 000 00	3 000 00	1 045 00	(1 955 00)
Public works:				
Highways and streets	200 000 00	200 000 00	129 056 44	(70 943 56)
Street lighting	3 000 00	3 000 00	2 525 43	(474 57)
Culture and recreation:				
Library	10 000 00	10 000 00	5 472 00	(4 528 00)
Capital outlay	100 000 00	100 000 00	-	(100 000 00)
<b>Total expenditures</b>	<b>730 853 73</b>	<b>730 853 73</b>	<b>415 555 71</b>	<b>(315 298 02)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(330 853 73)</b>	<b>(330 853 73)</b>	<b>344 862 28</b>	<b>675 716 01</b>
<b>Fund balance, April 1</b>	<b>473 025 60</b>	<b>473 025 60</b>	<b>868 156 16</b>	<b>395 130 56</b>
<b>Fund Balance, March 31</b>	<b>142 171 87</b>	<b>142 171 87</b>	<b>1 213 018 44</b>	<b>1 070 846 57</b>

TOWNSHIP OF BOWNE  
Kent County, Michigan

**BUDGETARY COMPARISON SCHEDULE – FIRE OPERATING FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	150 000 00	150 000 00	180 522 79	30 522 79
Charges for services	60 000 00	60 000 00	43 591 16	(16 408 84)
Interest	15 000 00	15 000 00	14 376 67	(623 33)
Miscellaneous	<u>3 000 00</u>	<u>3 000 00</u>	<u>3 199 68</u>	<u>199 68</u>
Total revenues	<u>228 000 00</u>	<u>228 000 00</u>	<u>241 690 30</u>	<u>13 690 30</u>
Expenditures:				
Public safety:				
Fire protection	158 500 00	158 500 00	134 796 01	(23 703 99)
Capital outlay	<u>150 000 00</u>	<u>150 000 00</u>	<u>130 021 00</u>	<u>(19 979 00)</u>
Total expenditures	<u>308 500 00</u>	<u>308 500 00</u>	<u>264 817 01</u>	<u>(43 682 99)</u>
Excess (deficiency) of revenues over expenditures	(80 500 00)	(80 500 00)	(23 126 71)	57 373 29
Fund balance, April 1	<u>416 939 00</u>	<u>416 939 00</u>	<u>663 661 52</u>	<u>246 722 52</u>
Fund Balance, March 31	<u>336 439 00</u>	<u>336 439 00</u>	<u>640 534 81</u>	<u>304 095 81</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT FUND  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	47 000 00	47 000 00	67 970 91	20 970 91
Interest	4 800 00	4 800 00	5 846 95	1 046 95
Rent	5 000 00	5 000 00	5 472 00	472 00
Total revenues	56 800 00	56 800 00	79 289 86	22 489 86
Expenditures:				
Public works:				
Downtown development	110 300 00	110 300 00	21 609 85	(88 690 15)
Total expenditures	110 300 00	110 300 00	21 609 85	(88 690 15)
Excess (deficiency) of revenues over expenditures	(53 500 00)	(53 500 00)	57 680 01	111 180 01
Fund balance, April 1	377 534 25	377 534 25	366 503 07	(11 031 18)
Fund Balance, March 31	324 034 25	324 034 25	424 183 08	100 148 83

TOWNSHIP OF BOWNE  
Kent County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>4 282 02</u>	<u>3 421 175 21</u>	<u>3 420 453 82</u>	<u>5 003 41</u>
<u>Liabilities</u>				
Due to other funds	4 282 02	390 590 58	389 869 19	5 003 41
Due to others	<u>-</u>	<u>3 030 584 63</u>	<u>3 030 584 63</u>	<u>-</u>
Total Liabilities	<u>4 282 02</u>	<u>3 421 175 21</u>	<u>3 420 453 82</u>	<u>5 003 41</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>50 378 84</u>	<u>50 378 84</u>	<u>-</u>
<u>Liabilities</u>				
Due to others	<u>-</u>	<u>50 378 84</u>	<u>50 378 84</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>50 378 84</u>	<u>50 378 84</u>	<u>-</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>4 282 02</u>	<u>3 471 554 05</u>	<u>3 470 832 66</u>	<u>5 003 41</u>
<u>Liabilities</u>				
Due to other funds	4 282 02	390 590 58	389 869 19	5 003 41
Due to others	<u>-</u>	<u>3 080 963 47</u>	<u>3 080 963 47</u>	<u>-</u>
Total Liabilities	<u>4 282 02</u>	<u>3 471 554 05</u>	<u>3 470 832 66</u>	<u>5 003 41</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

April 18, 2008

To the Township Board  
Township of Bowne  
Kent County, Michigan

We have audited the financial statements of the Township of Bowne for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Bowne in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Bowne  
Kent County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants